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THE 'NEW INTERPRETATION': QUESTIONS ANSWERED AND UNANSWERED

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ABSTRACT

Duménil, Foley and Lévy (DFL)'s note gives a formal presentation of the 'New Interpretation' that explicitly considers the issue of heterogeneous labour. It clarified some issues raised in my previous paper. Unfortunately, however, DFL offer only a mathematical formalism while leaving the most important question unanswered.

1. ISSUES CLARIFIED

Duménil, Foley and Lévy (DFL)'s note is a formal presentation of the 'New Interpretation' (NI) that explicitly considers the issue of heterogeneous labour. It clarified some issues raised in my previous paper.

First, DFL provided a more general formulation in which the number of industries is not equal to that of labour types.[1] I fully agree with DFL's framework of n-industries with m-types of labour ($n \neq m$).

Second, it was emphasized that the issue of exploitation is logically distinguished from the choice of consumption bundle by workers. DFL's novel term 'Unallocated Purchasing Power' cleared up the confusion between the value of labour power and the value of wage goods in some of the literature on the NI.

On the other hand, DFL's note is clearly along the same lines as my paper in the following respects.

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[1] In my previous paper, I treated each collective labour in each industry as one variety of labour. For simplicity, I did not make explicit that there are many heterogeneous labours in each industry, which does not make any kind of substantive change in the analytical results. There is no doubt, however, in the fact that DFL's formulation cleared up the conceptual ambiguity.

First, in their definitions of rates of exploitation, DFL admitted that the sectoral value of labour power should be defined as the ratio of money wage to the monetary expression of labour time (MELT).

More importantly, DFL essentially accepted my proposal of decomposing the MELT into two concepts. The 'Monetary Expression of Value' is explicitly introduced. The 'Value Expression of Labour Time' on a sectoral level also appears in the form of 'values created by one hour of labour of category j' (μ_j).

2. ISSUES UNANSWERED

Unfortunately, however, the most crucial issue I raised has remained unanswered yet. In what follows, I want to show this point more succinctly using DFL's notations. For simplicity, 'a reduced form of the model' is used again.

The values of individual commodities are defined as

$$\lambda = a\lambda + (I+E)W\tilde{l} \tag{1}$$

Here E and W are the $n \times n$ diagonal matrices whose main diagonal is, respectively, the rate of exploitation (e_i) and the average wage rate (w_i) in each industry. It must be noted that a uniform rate of exploitation is not assumed here.

The prices are defined as

$$p = (I+R)\left(ap + W\tilde{l}\right) \tag{2}$$

Here R is the $n \times n$ diagonal matrix whose main diagonal is the rate of profit (r_i) in each industry. Therefore, unlike DFL, p defines market prices without the assumption of a uniform rate of profit.

From (1) and (2), the following relationship is obtained:

$$\lambda = (I+E)(I+R)^{-1}p[I-(I+R)a](I-a)^{-1} \tag{3}$$

One of the principal contributions of the NI is that it connects value and price directly. As the rate of exploitation for the total economy (e) is equal to the aggregate profit–wage ratio (π) in the NI, the assumption of a uniform rate of exploitation makes it possible to recover the values of individual commodities starting from observable data on market prices (p), sectoral rates of profit (R) and technology (a). This is clear from the following derived on the assumption of $e_i = e_j = e$.

$$\lambda = (1+\pi)(I+R)^{-1}p[I-(I+R)a](I-a)^{-1} \tag{4}$$

In a general case, however, we must go back to (3) with n equations and $2n$ unknowns ($\lambda_1, \ldots, \lambda_n, e_1, \ldots, e_n$). It is underdetermined unless one explains the mechanism of determining the value expression of labour time on a sectoral level. Instead of answering this difficult but important problem, DFL simply take the values of μ_j as given.

3. CONCLUSION

My main motive was to show that the rate of exploitation and profit–wage ratio may systematically deviate on a sectoral level and to clarify this is one of the most important tasks of Marxian value theory. At the aggregate level at which the NI usually works, the rate of exploitation is redundant in that it is equal to the profit–wage ratio by definition. The concept of labour value will cease to be redundant if, for example, one shows that a lower (higher) profit–wage ratio can be combined with a higher (lower) rate of exploitation in a certain sector. That is why the NI should pursue this issue more thoroughly. It appears that DFL offer only a mathematical formalism while leaving the most important question unanswered.

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